The Credit System. By W. G. LANGWORTHY TAYLOR. (New York: The Macmillan Company. 1913. Pp. x, 406. $2.25.)

The method of this treatise on the origin and structure of credit is frankly evolutionary. The author believes there is an essentially organic relationship between economic phenomena. Credit, prices, profits, and interest are all interrelated and carefully articulated in the economic system. The fundamental explanation of credit is psychological, but it is closely conditioned and qualified by environment. In attempting to deduce economic principles solely from marginal utility the adherents of the Austrian school have gone too far and spun too fine a web. No single cause is sufficient to explain the complex conditions which give rise to credit. Credit itself is based on psychological facts, but is made possible by the power of the environment to create utilities. Without the possibility of productivity, credit could not come into existence. The author defines credit as "the power which sets industry going" (p. 45), and includes in credit not only the conventional forms but also money—even under limited conditions metallic money—and stocks and bonds. This furnishes a much wider range for credit than the one customarily adopted.

Some of the salient features of the book are: (1) Credit is the principal medium of exchange, so that in a régime of credit, gold is merely a store of value. (2) The main business of a bank is that of guarantor, and through its agency bad credit should be weeded out. (3) There is no essential difference between the bank note and the deposit; both are credit instruments guaranteed by the bank. (4) Final payment is only made when the method of *liquidation*—the extinguishment of a loan by a new loan, or *set off*, the cancellation of a loan by a check drawn against a deposit—can no longer be used. (5) Credit must be explained in terms of three environments: (a) the psychological environment in which money is the guaranty fund or materialistic factor; (b) the intermediate environment in which money is a credit document and payment is made with goods, the goods being the guaranty of the money; and (c) the materialistic or productive environment in which fixed or circulating capital (demand credit) represents the guaranty (pp. 197-199). (6) Investment is a process of merging short-term credit into long-term credit in which the stock and bond holders are the guarantors of production. (7) Capital must more and more be defined in the financial sense of "credit control." (8) There is a value adjustment continually taking place in order

to equalize rates, and interest is the outcome of fluctuations in profits, which in turn give rise to these value adjustments. (9) The complex problems of interest and rent are solved by projecting capital and land into different environments. (10) Fluctuations in prices are due to the natural conditions of competition so that any attempt to render justice to debtor and creditor by way of the standard is unsatisfactory. (11) "Competition is better calculated to do justice than unripe legislation" (p. 398); the great need is to encourage more responsible and careful management of credit institutions.

Running through the book are suggestions in regard to the intimate relation of credit to prices, while chapters 8, 9, 10, and 11 are devoted almost exclusively to this topic particularly in its relation to crises. The validity of the older conception of the quantity theory of money is rudely shaken. It is said to be too materialistic. Gold no longer circulates. In times of crises only, gold receives a forced circulation and thus affects prices. In normal times the circulation consists of credit instruments and the credit supply is the determinant of prices. The supply of credit arises to some extent from new accessions of gold to the bank reserves or to circulation, but receives a much stronger stimulus "when the ratio of profits in the community is higher than the rate of interest that obtains on loans" (p. 277). The problem of prices, then, is largely one of the credit supply. In case of a fall in prices, for example, the sequence is: (1) expected objective values are not realized; (2) "fall in profits or supposed profits leads to (3) shrinkage in the valuation of securities; that determines (4) a diminution in bank loans and discounts, which, in turn, decreases (5) nominal purchasing power, with the result that (6) prices are pulled down" (p. 281). This view of the case leads to a considerable revision of the basis, at least, of the quantity theory. With credit instruments arising out of speculative or actual profits which are based not on a single utility, such as gold, but upon all utilities in the process of being produced it would seem that the simple explanation of price changes offered by the quantitative theorists is scarcely adequate to interpret the changes in the general level of prices under a credit régime.

The general principles of the book are timely and suggestive. Its real value consists in broadening the field of credit and in showing the intimate relations of credit to other economic factors. There is, however, a lack of coherence and unity, and many of the author's statements are vague.

A good many sentences in the book are extremely difficult to understand, if not entirely incomprehensible. On page 10 appears this sentence: "In each case, the value of the credit is ascertained in connection with the appertaining process, its prospects and productivity." On page 61, "whenever a financial crisis takes place, a contrast between entourages is evoked, which is not merely a contemporaneous setting-over-against-one-another of previously concordant elements, but is also a temporal and historical." And on page 196 occurs this astounding sentence, "Logical analysis is agnostic of antecedents before a chosen point of departure." The writer also seems to be over fond of choosing very difficult and unusual words. The involved sentences and unusual words make the book tiresome reading, and add an element of obscurity to an already sufficiently difficult subject. The reviewer believes that there is danger of bringing economic writing into disrepute by the failure to use clear, intelligible English.

It is to be regretted that the well-selected bibliographies at the end of the chapters should contain so many errors. In some cases the author of the book or article is left out; in others, the title of the book is omitted. The exact pages, or the number of the volume, or the correct title of a government commission with the date are often not given. Such errors are undoubtedly due to carelessness in verification or to poor proof-reading.

EVERETT W. GOODHUE.

Colgate University.

NEW BOOKS

ARNAUD, L. *Guide des caisses d'épargne et de leurs déposants.* (Paris: A. Lahure. 1914. 3 fr.)

AUGSTIN, M. *Die Entwicklung der Landwirtschaft in den Vereinigten Staaten von Nordamerika und ihr Einfluss auf die Preisbildung landwirtschaftlicher Erzeugnisse.* Schriften des Vereins für Sozialpolitik, 141. (Munich: Duncker & Humblot. 1914. Pp. 149. 4 M.)

BABBOTT, W. M. *Solution of the economic or social problem; realm of conservation; the high cost of living.* (Taunton, Mass.: Hack & Son. 1913. Pp. 169, 29, illus. $3.)

Part II, privately printed, but few copies issued.

BARKER, D. A. *The theory of money.* The Cambridge manuals of science and literature. (Cambridge: University Press; New York: Putnams. 1913. Pp. 141. 40c.)

A brief elementary discussion supplementary to the author's *Cash Credit* published earlier in this series of manuals. Serviceable in that it popularizes the recent contributions of Fisher in the treat-